

## Message Text

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PAGE 01 ZAGREB 00343 181514 Z

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TAGS: EIND EFIN YO

SUBJECT: DOW CHEMICAL- ORGANSKO KEMIJSKA INDUSTRIJA (OKI)

ZAGREB. JOINT VENTURE

REF: BELGRADE A-666, AUGUST 29, 1972

SUMMARY: NEGOTIATIONS PROCEEDING BETWEEN DOW AND OKI TOWARD CONCLUSION \$17 MILLION, JOINT- VENTURE CONTRACT PROVIDING FOR ZAGREB PLANT TO PRODUCE ANNUALLY 30,000 TONS POLYSTYRENE VALUED AT \$15 MILLION. RESOLUTION OUTSTANDING DETAILS AND CONCLUSION ALL FORMALITIES FORESEEN AS POSSIBLE BY END SUMMER. THEN SOME 30 MONTHS REQUIRED START PRODUCTION. END SUMMARY.

1. ON JUNE 12-13, SENIOR DOW REPRESENTATIVES, LED BY ZOLTAN MERSZCI, PRESIDENT DOW CHEMICAL EUROPE S. A., MET IN ZAGREB WITH ZDRAVKO SAKAC, GENERAL DIRECTOR OF OKI, AND OTHER OKI OFFICERS TO PROCEED TOWARD CONCLUSION OF \$17 MILLION, JOINT- VENTURE CONTRACT TO ESTABLISH ZAGREB POLYSTYRENE PLANT TO PRODUCE ANNUALLY 30,000 TONS POLYSTYRENE VALUED AT \$15 MILLION. ANNUAL PRODUCTION TO INCLUDE \$3 MILLION OF POLYSTYRENE GRANULES CONVERTIBLE INTO INSULATING FOAM FOR EXPORT TO HARD- CURRENCY AREAS. ACCORDING MERSZCI, THIS IS NEW  
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PAGE 02 ZAGREB 00343 181514 Z

PRODUCT FOR DOW WHICH WILL NOT COMPETE WITH PRODUCTS PRODUCED ELSEWHERE IN EUROPE BY DOW. THUS EARLIER OBSTACLE TO JOINT VENTURE HAS BEEN REMOVED IN THAT THERE WILL BE MUTUALLY SATISFACTORY EXPORT ITEM TO ENABLE HARD- CURRENCY EARNINGS AND THEREBY MEET YUGOSLAV LEGISLATIVE REQUIREMENTS REGARDING REMITTANCE OF PROFITS IN HARD CURRENCY BY FOREIGN INVESTOR ( REF)

2. DOW' S 49 PER CENT INVESTMENT TO CONSIST PRINCIPALLY OF TECHNOLOGY ( APPROX \$5 MILLION); MACHINERY ( APPROX \$2.5 MILLION); AND PERSONNEL. OKI TO PROVIDE LAND, BUILDINGS, EQUIPMENT, WORKING CAPITAL, ETC.

3. CONTRACT REPORTEDLY LARGELY FINAL, BUT SOME DETAILS RELATED TO REAL PROPERTY REMAIN. EFFORTS WILL CONTINUE TO RESOLVE THESE WITH VIEW TO SUBMISSION AGREED CONTRACT FOR APPROVAL BY DOW BOARD IN US AT EARLY AUGUST MEETING. OKI TO STRIVE FOR NECESSARY LOCAL APPROVALS WITHIN SAME TIME FRAME.

4. VICE PRESIDENT MILAN ZJALIC OF CROATIA' S EXECUTIVE COUNCIL AND PRESIDENT VITO GASPAREVIC OF CROATIA' S ECONOMIC CHAMBER RECEIVED DOW AND OKI SENIORS CORDIALLY JUNE 13 AND EXPRESSED FULL SUPPORT FOR JOINT VENTURE. ZJALIC PROMISED THAT CROATIAN AUTHORITIES WOULD DO ALL POSSIBLE TO ENCOURAGE PROMPT REGISTRATION OF FINAL CONTRACT BY FEDERAL SECRETARIAT FOR ECONOMIC AFFAIRS.

5. AT ZJALIC MEETING, MERSZCI STRESSED DOW' S EMPHASIS ON HIGH LABOR PRODUCTIVITY. HE UNDERLINED THAT, WHILE NEW PLANT WILL NOT IN ITSELF PROVIDE MANY JOBS, AVAILABILITY OF ITS PRODUCTS WOULD LEAD TO SIGNIFICANTLY GREATER EMPLOYMENT OPPORTUNITIES AT END- USER PLANTS IN YUGOSLAVIA. ZJALIC REPLIED THAT, IN SOME ELEMENTS OF YUGOSLAVIA' S INDUSTRY, INDIVIDUAL WORKERS ARE AS PRODUCTIVE AS COUNTERPARTS IN MORE INDUSTRIALIZED COUNTRIES. HOWEVER, WHEN BULKY MANAGEMENT STRUCTURES ARE FACTORED INTO EQUATIONS, WORKER PRODUCTIVITY EVEN IN THESE ELEMENTS SUFFERS IN COMPARISON. MRSZCI ANSWERED THAT " THE DOW WAY" IS TO STREAMLINE MANAGEMENT TOO AND DOW LOOKS FORWARD TO BEING SUBSTANTIAL AND REGULAR TAX PAYER IN YUGOSLAVIA AS IT IS IN MANY OTHER COUNTRIES ON BASIS LIMITED OFFICIAL USE

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PAGE 03 ZAGREB 00343 181514 Z

PROFITABLE, HIGHLY EFFICIENT OPERATIONS.

6. MEDIA HERE GAVE PROMINENCE TO DOW- OKI TALKS. THERE WAS TELEVISION COVERAGE AND PHOTOGRAPH IN JUNE 14 " VJECERNJI LIST" OF MEETING WITH VICE PRESIDENT ZJALIC.

7. DOW REPRESENTATIVES FORESEE PLANT' S CONSTRUCTION PERIOD

AS SOME 30 MONTHS. EDWARD C. STAEHLING, VICE PRESIDENT,  
DIRECTOR MANUFACTURING, DOW CHEMICAL EUROPE S. A., ZURICH,  
WILL BE DOW SENIOR IMMEDIATELY RESPONSIBLE FOR ZAGREB VENTURE.  
HE STATES DOW WILL HAVE NUMBER OF TECHNICAL PERSONNEL IN ZAGREB  
DURSJGUSONSTRUCTION PHASE, BUT THESE NOT NECESSARILY AMERICANS.

8. OTHER DOW OFFICERS HERE FOR JUNE 12-13 MEETINGS WERE PAUL  
G. STROEBEL, VICE PRESIDENT, DIRECTOR BUSINESS DEVELOPMENT,  
DOW CHEMICAL EUROPE S. A., ZURICH; AND ALEX CROSSAN, MANAGING  
DIRECTOR, DOW CHEMICAL EUROPE S. A., VIENNA.  
WILSON

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